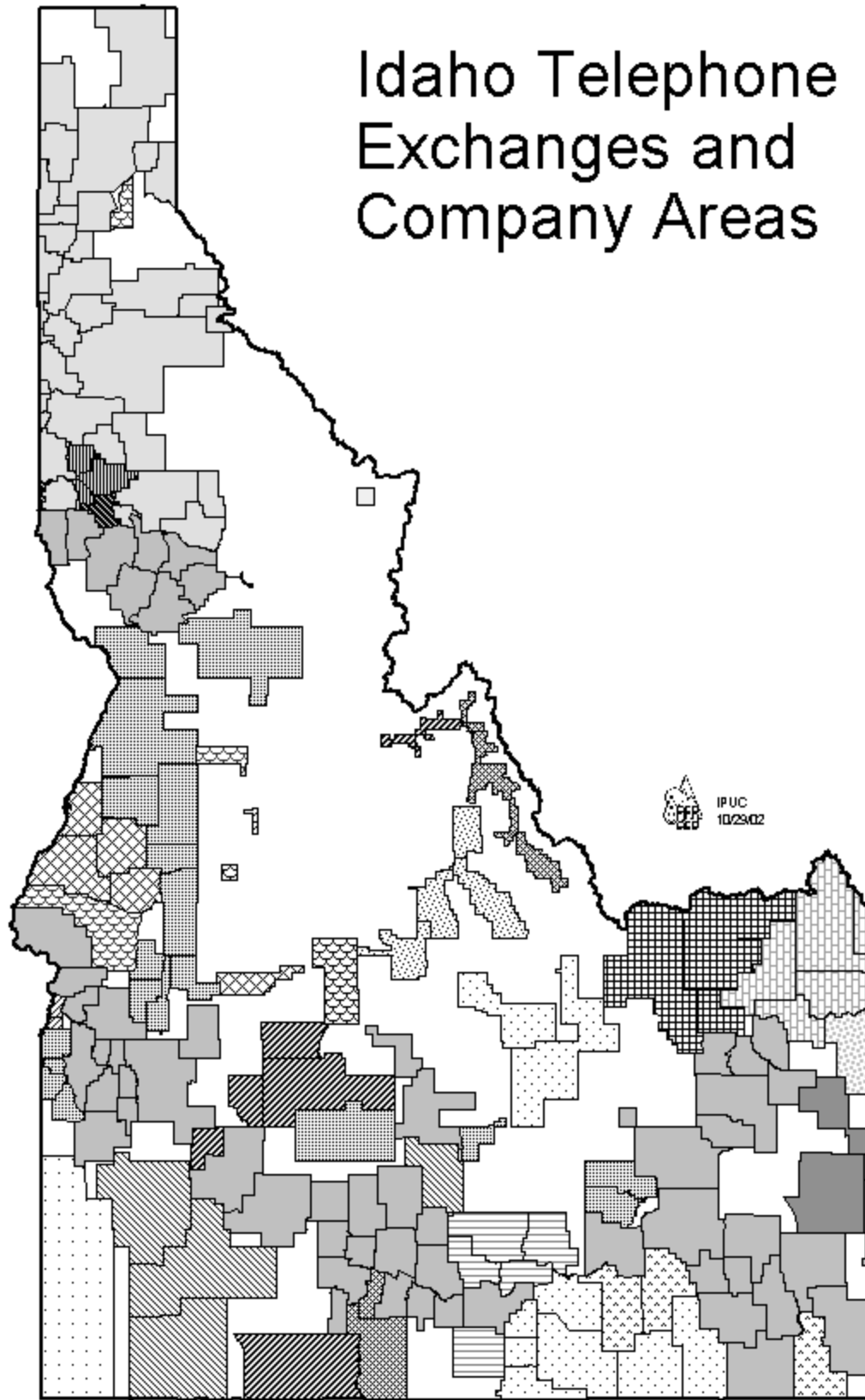


Idaho Telephone Exchanges and Company Areas



Regulated Companies

- ATC
- Cambridge
- CenturyTel of Idaho
- CenturyTel of the Gem State
- Citizens
- Direct
- Fremont
- Inland
- Midvale
- Oregon-Idaho
- Pine
- Qwest
- Rural
- Silver Star
- TDS
- Tetco
- Verizon
- Unclaimed

Co-ops

- Blackfoot
- Cluster
- Farmers Mutual
- Filer Mutual
- Mid Lake
- Project Mutual

Telecommunication Utilities Under IPUC Rate Jurisdiction

Albion Telephone Corp (ATC)

P.O.Box 98
Albion, Idaho 83311-0098
208/675-5335

Cambridge Telephone Company

P.O.Box 86
Cambridge, Idaho 83610-0086
208/257-3314

CenturyTel of Idaho, Inc.

P.O.Box 1007
Salmon, Idaho 83467
208/756-3300

CenturyTel of the Gem State, Inc.

P.O.Box 9901
805 Broadway
Vancouver, Washington 98668
360/905-5800
111 A Street
Cheney, Washington 99114
509/235-3170

**Frontier, A Citizens Communications
Company**

4 Triad Center, Suite 220
Salt Lake City, Utah 84180
801/321-6602
P.O.Box 926
201 Lenora Street
McCall, Idaho 83638
208/634-6150

Inland Telephone Company

103 South Second Street
P.O.Box 171
Roslyn, Washington 98941
509/649-2211

Fremont Telecom, Inc.

110 E. Main Street
St. Anthony, Idaho 83445
208/624-7300

Midvale Telephone Exchange, Inc.

P.O.Box 7
Midvale, Idaho 83645-0007
208/355-2211

Verizon Northwest, Inc.

17933 N.W. Evergreen Parkway
P.O.Box 1100
Beaverton, Oregon 97075
503/629-2281
208/765-4351 (Coeur d'Alene)
800/483-4100 (Moscow)
208/263-0557, Ext. 204 (Sandpoint)

Oregon-Idaho Utilities, Inc.

P.O.Box 190310
Rincon Station
San Francisco, California 94119-0310
415/597-7811
714 Main Street
P.O.Box 1406
Caldwell, Idaho 83605
208/454-7800

Pine Telephone System, Inc.

P.O.Box 706
Halfway, Oregon 97834
541/742-2201

Potlatch Telephone Company

P.O.Box 138
702 E. Main Street
Kendrick, Idaho 83537-0138
208/835-2211

Rockland Telephone Company, Inc.

P.O.Box 269
147 W. 4th Avenue
Rockland, Idaho 83271
208/548-2345

Rural Telephone Company

704 W. Madison Avenue
Glenns Ferry, Idaho 83623
208/366-2614

**Silver Star Telephone Company,
Inc.**

P.O.Box 226
Freedom, Wyoming 83120
307/883-2411

Troy Telephone Company

P.O.Box 138
702 E. Main Street
Kendrick, Idaho 83837-0138
208/835-2211

Teton Telecom Communications

P.O.Box 900
Driggs, Idaho 83422
208/354-3300

Qwest Communications

North and South Idaho
P.O.Box 7888 (83723)
999 Main Street
Boise, Idaho 83702
800/244-1111

Idaho Telecommunications

Developing Competition

Competition may finally be emerging in Idaho, as the number of customers selecting a competitive carrier started to increase significantly at the close of this fiscal year. It has now been more than seven years since the passage of the federal Telecommunications Act of 1996 made it legal for competition to develop for local exchange services, but making competition legal did not make it happen immediately. After an initial stage of optimism, competitive activity in Idaho stalled, caught in the general economic downturn that nearly dealt the competitive telecommunications sector a deadly blow. However, in the closing months of the year, the number of Qwest customers selecting an alternative provider increased significantly, possibly signaling the start of a competitive future, at least for some parts of Idaho.

Although regulatory barriers to competition in Idaho have been eliminated, many Idaho consumers still do not have a choice, and those who do have choices are not enjoying the full advantages of competition envisioned by Congress. Market forces, and not legal or regulatory barriers, are the primary factors leading to the slow progress of competition in Idaho. The Idaho Public Utilities Commission approved 15 more applications for Certificates of Public Convenience and Necessity to provide competitive local exchange service during the year covered by this report, and had granted a total of 58 companies with certificates by June 30, 2002. However, only a handful of these competitive local exchange companies (CLECs) had made the market decision to actually provide service to Idaho customers.

In the year covered by this report, the commission also approved more than 65 interconnection agreements and amendments to previous agreements between incumbent telephone companies and competitors, including those providing wireless or paging services. These agreements specify the terms and conditions for connecting one company's system to the others so that calls may transfer seamlessly from one company to the next. They also include the terms and conditions under which an incumbent will sell its services, or the individual network elements that CLEC's may use to provide competitive services without duplicating the existing facilities.

The Idaho Telecommunications Act of 1988 allowed telephone companies to elect modified regulation for all but basic local exchange service to customers with five or fewer lines at one location. U S WEST chose partial deregulation under Title 62 for its territory in southern Idaho, beginning April 1, 1989. All telecommunications companies that only provide long distance services also come under the provisions of Title 62. These companies set their own prices and file price lists with the commissioners for informal purposes.

Competitive Local Exchange Carrier Certificates

Approved in FY03
15

Total Approved
(as of 7/1/03)
58

A list of companies issued certificates to provide basic local exchange service is available at
www.puc.state.id.us/FILEROOM/UTILITIES.pdf

Interconnection Agreements

Agreements or Amendments
Approved in FY02
67

Approximately 400 companies had Title 62 price lists on file with the Commission at the end of June, 2002.

Approximately 400 long distance companies have price lists on file with the commission, although the number actually providing service to Idaho customers is estimated to be only a fraction of that. After years of increasing growth in the number of price lists on file, this number remained relatively stable the past three years. The general economic downturn and the acute downturn in the technical sector was visible here with the number of new filings matched by the number of price lists withdrawn due to mergers, bankruptcies and decisions to cease operations in Idaho.

Services provided by the new CLECs are not rate-regulated, but, in accordance with the provisions of Title 62, are subject to the commission's rules. Telecommunications companies not providing basic local service, such as a long distance company, are also not subject to rate-setting authority of Title 61, but must comply with Title 62 rules. Upon complaint, the commission may hold hearings and order changes if the public interest is adversely affected, and may resolve disputes between companies. Title 62 regulations require that price lists be filed with the commission.

Commission staff reviewed more than 450 price lists or revisions to price lists during the year. While the commission does not review the actual prices in the price lists, staff checks the terms and conditions of the price list for compliance with applicable commission rules. The commission retains the authority to review the quality, availability, terms and conditions of service offered by economically deregulated Title 62 companies.

Until the commission determines that incumbent local exchange companies (ILEC) face effective competition throughout an exchange, basic local exchange service provided by an ILEC to residential and small business customers remains under the commission's Title 61 rate-setting authority. Qwest sought price deregulation of its seven largest exchanges, claiming competition from wireless providers met the criteria for effective competition (See QWE-T-02-25.).

More than 75 tariff revisions for price regulated services were reviewed and approved by the commission during this year. Most of these involved the introduction of new vertical or advanced services or adjustments to prices or fees made necessary by orders of the Federal Communications Commission or IPUC orders.

Local exchange companies

In addition to the North Idaho service area of Qwest which remains fully regulated and subject to the provisions of Title 61, there are 16 other local exchange companies whose services are still fully regulated by the commission. Qwest's Southern Idaho operating company is by far the largest local exchange company, with more than 67 percent of the customer lines (approximately 500,000) in the state. Verizon is a distant second, with nearly 130,000 access lines (about 18 percent). The Qwest North service area is the third largest, with 36,000, or 5 percent.

Frontier, formerly known as Citizens, is Idaho's third largest local exchange carrier with more than 20,000 access lines (3 percent). Fourteen other regulated telecommunications companies also serve Idaho residents, as well as six mutual or cooperative companies. These 20 companies serve the remaining 7 percent.



**CenturyTel of Idaho
Ave. Residential Rate**
= \$21.75

+ \$3.50 rural adder
Ave. Business Rate
= \$39.77

+ \$3.50 rural adder

**CenturyTel of the
Gem State
Ave. Residential Rate**
= \$24.10

+ \$3.50 rural adder
**Average Business
Rate**
= \$39.77

+ \$3.50 rural adder



**Potlatch Telephone
Company
Ave. Residential Rate**
= \$12.17

Ave. Business Rate
= \$18.20

**Teton
Communications
Ave. Residential Rate**
= \$24.10
Ave. Business Rate
= \$42.00



Qwest South
Ave. Residential Rate
 = \$17.15
Ave. Business Rate
 = \$32.02

U S WEST North
Ave. Residential Rate
 = \$15.51
Ave. Business Rate
 = \$29.38



Midvale Telephone
Exchange
Ave. Residential Rate
 = \$22.48
Ave. Business Rate
 = \$40.91

Fremont Telcom
Company
Ave. Residential Rate
 = \$24.10
Ave. Business Rate
 = \$42.00

Telecommunications Case Reviews

QWEST PETITION FOR DEREGULATION DENIED

Case No. QWE-T-02-25, Order No. 29360

The Idaho Public Utilities Commission denied a petition by Qwest Corporation to deregulate pricing of local telephone rates in seven urban areas in southern Idaho. Had the commission granted the petition, Qwest would have been able to increase or decrease basic local exchange rates in those seven areas without commission approval.

The Idaho Telecommunications Act says the commission shall cease regulating basic local exchange rates when the incumbent telephone corporation – in this case, Qwest – can show that effective competition exists for local calling. Qwest maintained that a number of cellular (wireless) telephone providers in the Boise, Nampa, Meridian, Caldwell, Twin Falls, Pocatello and Idaho Falls areas offer effective competition to Qwest's landline service.

"The commission was not persuaded by Qwest's evidence that cellular service effectively competes for local service customers of Qwest's wireline service," the commission said. "On the evidence presented to us, we cannot find that cell phones are functionally equivalent and competitively priced to Qwest's local service."

Qwest cited the results of a Federal Communications Commission study indicating that 3 to 5 percent of wireline customers nationwide are replacing their landline phone with a wireless phone. But Qwest did not show that those numbers apply to Qwest exchanges here, the commission said. Even if they did apply to Idaho, "substitution rates of 3 to 5 percent do not demonstrate that cell phone service effectively completes with wireline service."

The commission said its conclusion is similar to one reached by the FCC in its Aug. 21 Triennial Review Order which said, "Neither wireless nor cable has blossomed into a full substitute for wireline telephony."

The commission said it also had a public interest concern regarding the potential for Qwest rate increases. "Nowhere in the record does Qwest contend it is considering lowering its basic local service rates as the result of competitive pressure it currently faces from cellular service."

In a motion to re-open the record after the official case record had closed, Qwest volunteered to forego rate increases through 2004 and then limit its rate increases to \$6.60 per month for residential customers and \$9.49 per month for small-business customers through 2007. "The public interest is served if basic service rates are deregulated only when effective competitive forces exist to protect customers from monopoly pricing," the commission said. "In that environment, it would not be necessary for Qwest to volunteer to limit increases in its local service rates."

Commissioners cited exhibits in the case that show wireless plans are

priced from \$3.95 per month to \$58.67 per month higher than Qwest's basic local service. Those cell phone prices do not include the \$1.50 per month for directory listing or fees for 911 service and number portability, all of which will soon appear on cell phone service bills.

The commission agreed with intervening parties in the case who maintained that cellular service is not yet "functionally equivalent" to wireline technology, as is required by state statute. For example, cell phones are not yet equipped to handle multiple extensions as would be required at a small business or "roll over" features that allow an incoming call on any of several local lines serving a small business. Further, cell phones cannot provide facsimile capabilities and only very limited Internet functions with research features.

Much of the case dealt with two different interpretations Section 62-622(3) of Idaho Code. Qwest maintained the Legislature intended to allow for deregulation if competition for basic voice service exists within an area and that functions other than voice service, such as facsimile or Internet technology, were irrelevant to the case.

However, the commission, citing legislative intent language, ruled that "actual competition means more than the mere presence of a competitor" and needs to be "substantive and meaningful," offering service functions similar enough to wireline that customers are willing and able to switch to a cellular service as a substitute to basic local service.

The commission acknowledged Qwest exhibits that show an increase in cell phone customers and a small decrease in the number of local service lines in six of the seven exchanges. However, Qwest presented no evidence to show a correlation between the two, the commission said.

"Qwest candidly admitted it 'never attempted to provide a precise loss of lines attributable to wireless competition,'" the commission said. A PUC staff witness testified that while Qwest lost 14,000 access lines since 2000, it gained 13,000 high-speed Internet (DSL) lines, indicating a large number of customers who converted second phone lines with DSL lines. Revenues from DSL lines are considerably higher than from a voice grade line, according to commission staff.

The order also denies a motion made by Qwest on Aug. 14 to re-open the case record, which had been closed on July 11. Qwest's motion sought to fundamentally change the case from a price deregulation case to a pilot project with price caps in the seven urban exchanges.

Public workshops and hearing regarding Qwest's original application were held in Pocatello, Twin Falls and Boise. The commission received written comments from 38 customers and two organizations. Three customers supported Qwest's proposal and the two organizations, the Twin Falls Chamber of Commerce and the Boise Metro Chamber of Commerce, also expressed support.

Most customers opposing Qwest's petition cited affordable rates, especially for senior citizens and low-income customers who want basic telephone service without the extras that come with "packages" offered by Qwest



Ave. Residential Rate
= \$24.10

Ave. Business Rate
= \$42.00

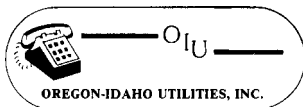
Direct
Communications
Ave. Residential Rate
= \$24.10
Ave. Business Rate
= \$42.00

ATC
(Albion Telephone
Company)
Residential = \$24.10
Business = \$42.00

Cambridge
Telephone Company
Ave. Residential Rate
= \$24.10
Ave. Business Rate
= \$42.00



Ave. Residential Rate
= \$18.92
Ave. Business Rate
= \$36.19



Ave. Residential Rate
= \$15.77
Ave. Business Rate
= \$27.75

Inland Telephone Company
Ave. Residential Rate
= \$21.63
Ave. Business Rate
= \$40.68



Ave. Residential Rate
= \$17.50
Ave. Business Rate
= \$35.10

and wireless companies.

Copies of the commission's order as well as other documents related to the case are available on the commission's Web site at www.puc.state.id.us. Click on "File Room," and then on, "Telecommunication Cases," and scroll down to Case No. QWE-T-02-25.

September 26, 2003

TOLL RESTRICTION SETTLEMENT APPROVED

Case No. QWE-T-03-15, Order No. 29337

The Idaho Public Utilities Commission accepted a settlement between the Qwest Corporation and commission staff that increases the rate for toll restriction service, but moves the service under commission regulation and removes installation fees for residential customers.

Toll restriction prohibits access to long distance carriers on any line on which it is installed. Qwest has more than 38,000 toll restriction customers in Idaho. A typical toll restriction customer would be a parent with a teen line who doesn't want long-distance calls made from that line. Other toll restriction customers include those who are low income or those who have had trouble making long-distance payments in the past but want to retain a phone line for local calls only. The settlement promotes universal service by allowing low-income customers or customers with difficulties making past payments to obtain local calling service without having to make a deposit.

The order, effective Oct. 1, means that toll restriction will no longer be deregulated. As a deregulated service, Qwest would have been able to increase or decrease fees for the service without commission approval.

As part of the settlement, the monthly fee for residential customers who want toll restriction increases from 25 cents to 75 cents. For business lines, the monthly fee increases from \$1 to \$2. Low-income customers who qualify under the state's Lifeline program will not be charged for toll restriction.

The settlement also removes the residential installation fee for the service, which was \$24 in Qwest's northern Idaho territory and \$13.50 in southern Idaho. For business lines, the installation fee will be \$13.50.

The settlement was approved on a 2-1 vote by the commission, with Commissioner Marsha Smith dissenting. Smith concurred with the majority that the service should be regulated, but did not agree with the decision to raise the monthly fee.

"Although I recognize that the approved rates are low when compared to the rates in other states, I believe that customers should not have to pay to block their access to long-distance carriers," Smith said.

The residential rate is the lowest in the 12 states where Qwest has a toll restriction fee.

Idaho's Universal Service Fund

Telephone companies operating in Idaho have been required since July 1988 to contribute to a Universal Service Fund (USF) to ensure that the high costs of small telephone companies do not result in rates that exceed the statewide average by more than 25 percent. These local and long distance companies are permitted to recover their contributions from local and long-distance customers. Local exchange companies may apply for assistance from this fund. They must submit proof to the commission that when they set their local rates at 125 percent of the statewide average, they still do not fully recover their cost of providing local service. The commission evaluates the circumstances and determines whether and for what amount the company may receive Universal Service funds.

Long distance companies connecting in-state long distance calls in Idaho are required to remit a 0.25 cent (\$0.0025) surcharge for each in-state long distance minute. Those companies are also required to submit periodic reports detailing their minutes of in-state toll usage. Local exchange companies are required to remit on a monthly basis 8 cents (residential) and 13 cents (business) for each line served. These rates did not change this fiscal year.

Universal Service Fund Facts

July 1, 2002 -- June 30, 2003

	Residential	Business	Toll Access
Statewide average	\$17.58	\$31.52	\$0.0525
125 percent of average	\$21.98	\$39.40	
Monthly surcharge rate	\$0.08/line	\$0.13/line	
LD/WATS surcharge rate	\$0.0025/min		

Fund Activity

Balance 7/01/02 \$ 646,286

Collections		Disbursements	
Local Surcharge	\$902,422	ATC	\$514,238
Toll Surcharge	\$752,894	Cambridge	\$167,381
Total	\$1,655,316	Direct Comm	\$110,081
Interest Earned	\$ 18,901	Fremont	\$43,161
		Inland	\$362,366
Co. Disbursements	\$1,898,303	Midvale	\$221,847
Admin/Amort/	\$ 11,600	Rural	\$316,128
Bank/Brkr		Silver Star	\$163,101
T-Note	\$255,880		\$1,898,303
Balance 6/30/03	\$ 666,480		

**ITSAP
Summary
Jan, 02 - Dec, 02**

Credits Provided

**Idaho Share
= \$1,159,039**

**Federal Match
= \$ 3,224,169**

**Total Value
of Credits
= \$4,383,208**

**Fund Balance
As of 12/31/02
= \$18,371.13**

March 26, 2003

FEE TO AID LOW-INCOME IDAHOANS INCREASES

Case No. GNR-T-03-12, Order No. 29214

A surcharge on all residential, wireless and business phone lines will increase from 10 cents per line per month to 12 cents effective May 1, 2003.

The Idaho Telephone Service Assistance Program (ITSAP), commonly referred to as a “lifeline” program, provides credits to low income households to assist them to obtain and maintain telephone service. Because the value of telephone service increases as more households have a telephone, a small contribution from all non-participating households is used to fund this program. In response to federal changes to the program, the Idaho Legislature opened the program to all low-income households.

The credits include \$3.50 per month per household in state funds, plus \$3.50 in matching funds from the federal government. In addition, the federally imposed subscriber line charge of \$6.50 is waived for ITSAP participants. The combined value of federal and state credits is \$13.50 per month per household.

The Department of Health and Welfare established and administers application procedures and eligibility determinations. Utilities are provided a list of the telephone numbers for qualifying households and automatically provide qualifying households with the credits.

The commission is responsible for maintaining the fund and reimbursing the telephone companies for the cost of providing these credits. Based upon the estimates of the number of households eligible for the credits, the commission established the monthly surcharge paid by all telephone users, including wireless customers, at 12 cents per line effective May 1, 2003. The average number of credit recipients increased by nearly 15% to over 27,500 as of June 30th.

The ITSAP surcharge is assessed on residential, business, and wireless users. The gross surcharge revenue is netted against the assistance credits paid to eligible customers and the company’s administrative costs. Gross surcharge revenues collected by telecommunications companies during the year totaled \$1,243,775, of which \$743,229 (60 percent) was assessed on local exchange services and \$500,568 (40 percent) was assessed on wireless/cellular services.

Idaho's Telephone Relay Service

Idaho inaugurated telephone relay service (TRS) on Dec. 1, 1992, for the hearing- and speech-impaired. TRS requirements were created by the Federal Communications Commission under Title IV of the Americans with Disabilities Act of 1990. The 1992 Idaho Legislature established the manner in which TRS has been implemented.

Under Idaho rules, the Idaho Public Utilities Commission established a seven-member telephone industry committee to help select and advise a TRS administrator. In 1992, the commission appointed Robert Dunbar as its first TRS administrator.

This past year, Mr. Dunbar completed the federally required re-certification process for the Idaho relay. This process is required every five years by the FCC and addresses the operational standards, service offerings and performance requirements of relay service.

In accordance with an FCC requirement, Idaho's local exchange companies implemented 711 dialing access to TRS service on October 1, 2001.

This year, Hamilton Telecommunications initiated internet-based relay service. Hamilton Internet Protocol Relay (HIP Relay) is a 24-hour service that allows individuals who are Deaf, Hard of Hearing or Speech Disabled to use computers and other web devices to connect to HIP Relay via the Internet in order to place a call to any standard telephone user, VCO user or HCO user. At this time, NECA reimburses Hamilton for internet relay communication.

A TRS call may be initiated by a text telephone user or a standard phone user. The caller dials 711 or a toll-free number to access the TRS center and reaches a Communications Assistant (CA) who will process the call. The caller gives the CA the number of the person to be called and the CA places the call. The CA will type to the person with the text telephone and speak to the person with the standard phone, relaying what is spoken/typed by each party.

"The idea is to allow as close to normal telephone service as possible for hearing- and speech-impaired persons," according to Dunbar.

Callers only pay the cost of the telephone call, as if the call was placed directly between the telephones. Long distance calls are billed based upon the points of origination and termination and many long distance companies bill them on a reduced rate basis. No charge is assessed local calls.

TRS service is available statewide and may be reached by voice by dialing 711 or 1-800-377-1363. Contact with a text-telephone operator is made by dialing 1-800-377-3529. Questions or comments regarding the use of TRS may be directed from either a text or voice telephone to 1-800-368-6185. Information on Idaho's TRS program is also available via the Internet at: www.hamilton.net/relay/id/itrs.htm

All Idaho local exchange companies pay 4 cents per access line per month. In-state long distance companies pay \$0.0007 per bill minute to support the TRS. The commission did not change this rate in 2003.

TRS service is available statewide and may be reached by voice by dialing 1-800-377-1363. Contact with a text-telephone operator may be made by dialing 1-800-377-3529. As of October 1, 2001, TRS can be accessed from any phone simply by dialing 711.

Questions or comments regarding the use of TRS may be directed from either a text or voice telephone to 1-800-368-6185.